OBTAINING AD TECH SUCCESS

Unitas Global Cloud Services
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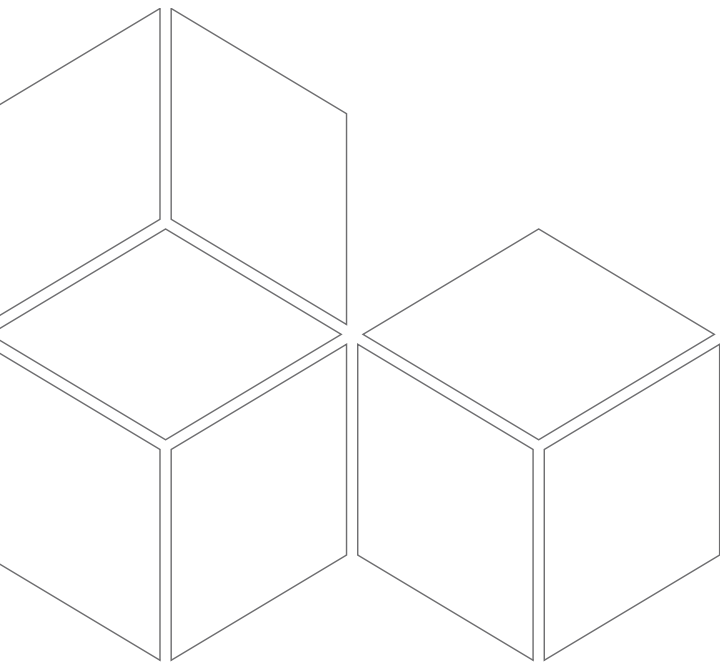
CONTENTS

1

ENABLING YOUR COMPETITIVE EDGE WITH CLOUD TECHNOLOGY

Stay Ahead in the Ad Tech Market

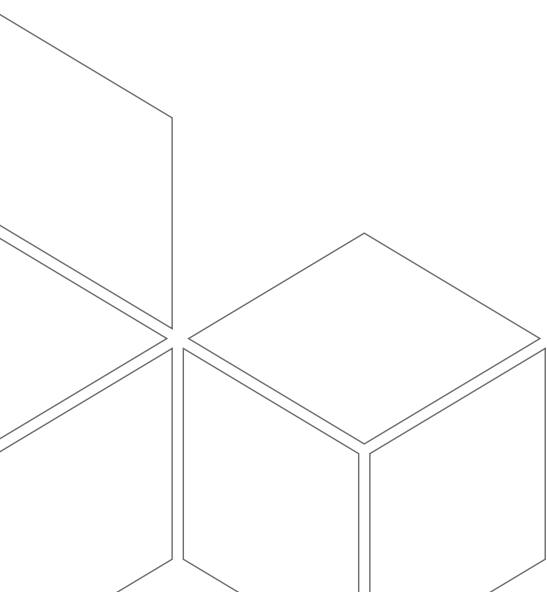Enabling ad tech platforms to stand out in a fragmented market is a daunting task. Challenges with technology systems are only one aspect, but solving them can be the key to unlocking differentiation for your platform. Entering the ad tech market and staying top of mind means facing strong competitors such as Google and Facebook. Additionally, with retailers like Walmart recently announcing they are bringing their marketing in-house, this strategy will lead to greater industry fragmentation and more opportunity.

This industry fragmentation has created a fissure in the Facebook/Google duopoly. According to eMarketer, in 2019, the share of the digital ad market for Google will fall from 38.2 percent to 37.2 percent, while Facebook will fall from 22.1 percent to 21.8 percent. As the ad tech playing field fragments and expands with leading technology and data management, there is an opportunity for new entry into the market.

AD TECH COMPANIES HAVE LONG FACED SEVERAL MAJOR BUSINESS CHALLENGES:

WALLED GARDENS

As recently as ten years ago, marketers had open, easy access to customer information. This provided insight into consumer behavior and the ability to target audiences through proprietary technology infrastructure. Thanks to the rise of walled gardens such as Facebook and Google, the open marketing web was threatened. Even though these giants dictate all the terms, publishers accept them to reach a wide audience. In addition to having a large audience, Facebook and Google understand their users in a way that is hard to match.

DIGITAL AD FRAUD

Although digital ad fraud has been around since the 1990s, it wasn't until the growth of mobile digital advertising that those committing fraud escalated their attacks on a greater scale. Advertisers were forced to spend more money and use more resources to counter the threat. During the rapid increase in fraud in 2013, Adweek published an article stating that "Online Ad Fraudsters Are Stealing $6 Billion From Brands." The writer, Mike Shields, explained that 20-90 percent of all clicks on digital ads were fraudulent, driven by a network of malicious bots, not people. Since 2013, the problem has only gotten worse[1].

OPTIMIZING PERFORMANCE (LATENCY)

At an industry conference in 2006, Google's then Vice President Marissa Mayer indicated that user testing had demonstrated that a one-half second delay in page loading time caused a 20% drop in traffic. Likewise, a widely reported 2008 Amazon study found that every 100ms in latency cost them 1% in sales. The expectations of users have only become more demanding. Ad tech companies have responded by scaling their systems and collocating their servers closer to their customers, reducing latency to meet customer expectations while growing sales.

BID PLACEMENT

Starting in 2009, automated bidding enabled publishers to place advertisements in real-time. It was the first distribution model which programmatically placed ads in front of users within milliseconds. In 2010, Google made an impression in this emerging market by acquiring Invite Media, a startup that developed technology to enable the use of real-time bidding to buy and display ads in multiple exchanges with a single interface. The share of real-time bidding ad buys has grown exponentially since 2010, with major improvements in platforms and systems enabling growth.

INDUSTRY OUTLOOK

Digital ad spending continues to rise and take a greater share of the total ad market. According to eMarketer, by 2021, digital ad spend is expected to become the majority of US ad spend.

In 2017, Facebook and Google claimed 63.1% of all US digital ad revenue. However, eMarketer has reported that in 2019 these percentages will fall. And the

meteoric growth of streaming digital content could be to blame.

According to Statista, in 2018 there were 227 million digital video viewers in the US alone. That number is expected to surpass 239 million by 2021. Because of the huge influx of viewers, digital advertising is naturally migrating to streaming platforms, as well. But due to the strict privacy measures Google and Facebook are required to follow, they are precluded from competing in certain aspects of streaming advertisement. Since ad tech companies don't transact in personally identifiable information like Google and Facebook do, they aren't held to the same strict privacy measures. This leaves ad tech companies better positioned to take advantage of the streaming digital content market.

Even with a reduction in market share, eMarketer has forecast that Amazon, Facebook and Google will collectively take 63 cents of every U.S. ad dollar spent by 2020. Capturing this flow requires a solid technology strategy and understanding of the current industry challenges.

3

CURRENT AD TECH BUSINESS CHALLENGES

COMPETING AGAINST A WALLED GARDEN

The recent industry fragmentation and advances in technology have given ad tech providers an opportunity to claim a larger share of the digital advertising market that would have previously gone to Google and Facebook. One way to drive the competition is by enabling control and transparency. As publishers gain a better understanding of how technology systems operate, they can better understand the source of traffic, ad placements, viewability, and invalid traffic.

After a continuous series of privacy concerns, ad tech companies are now re-focusing their efforts on advertiser data, telling advertisers that the more data they own, the better. Ultimately, ad tech companies want to help advertisers obtain a "single version of the truth" for all their ads across platforms, thus making advertisers platform independent. Transparency is also coming into focus due to mounting pressure from governments and consumers, particularly with Facebook allowing independent companies to track ad data on their platform.

MITIGATING FRAUD

Ad fraud makes it difficult for publishers to generate revenue, while brands are cutting back on ad spending as they see little return on investment.

As digital ad spending continues to rise, so will the losses from fraud. According to Juniper Research, ad fraud accounted for over $19 billion in lost revenue in 2018, or 9% of the total digital ad market[2]. To counter this rise, advertisers are increasing the use of fraud prevention tools. Unfortunately, the perpetrators of

the fraud are countering with even more sophisticated fraud techniques. For the larger marketer and publisher, the increase of anti-ad malware is on the rise. These ad fraud prevention tools attempt to recognize patterns in data to remediate the fraudulent activity. Smaller advertisers must work with ad tech companies to pay close attention to their own data.

OPTIMIZING PERFORMANCE (LATENCY)

To provide users with "real-time" marketing, the ad tech industry has taken advantage of colocating the exchange and buy-side trading technologies in the same physical locations. This provides a latency advantage that allows a buyer to return a bid to an exchange in milliseconds. This is a key factor in enabling both programmatic and real-time bidding.

To meet the restrictions of the real-time bidding service, ad tech companies must ensure that their systems keep latency below a certain level.

Maintaining low latency levels are more important than ever in driving profits. In a 2017 study, Akamai found that a 100ms delay in website load time hurt conversion rates by 7%. This is a significant increase from the Amazon finding of a 1% drop in 2008[4]. To execute on latency rules, ad tech companies must spend on infrastructure which can quickly escalate costs. When optimizing performance, ad tech companies must consider deploying their solutions in a 3rd party data center in an optimal location to reduce latency, and enable growth against the walled gardens.

3

CURRENT AD TECH BUSINESS CHALLENGES

PLACING THE RIGHT BID AT THE RIGHT TIME

Ad tech plays a significant role in combining the right data and the right technology to enable marketers to reach users. According to a recent article by Campaign Middle East, ad tech must not only meet and exceed marketing goals, but it must cultivate a conversation that recommends products and services in real-time.

Programmatic advertising and real-time bidding have thus far enabled the placement of ads in the right place and at the right time. There are high expectations that real-time bidding will create even smarter ad tech systems and incorporate technology such as AI in the future. According to a report by eMarketer, the US Programmatic digital display ad spend will be $65.63 billion by 2020, up from $25.69 billion in 2016.

4   SUMMARY

The ad tech industry is no longer a walled garden and customers stand to benefit as market competition leads to better services and more accessible pricing. Additionally, the recent growth in advertising on streaming platforms and the strict privacy regulations imposed on Google and Facebook have given ad tech providers a competitive edge in the digital ad market. Alone, ad tech providers may struggle to ensure their systems enable their success, but by trusting in a partner platform on which to build their solution, ad tech companies can overcome common industry challenges to achieve faster growth and prosperity.

The Unitas Global and Equinix Managed Ad Tech Solution enables value for the entire ecosystem through its innovative design to deliver network performance and reliability across the bid cycle. The solution provides the end customer a fully managed, software-defined, end-to-end network, compute and storage environment in a single SLA, all delivered with unparalleled global reach and performance.

This ecosystem provides a true competitive advantage, enabling agility and scalability in the ever-changing ad tech landscape. Members can take advantage of our industry-leading interconnection on Platform Equinix to securely connect to leading digital ad partners, bypassing the heavy traffic and risks on the public internet to provide a higher quality inventory and drive revenue. These direct connections allow you to exchange data and conduct transactions much faster by reducing latency to single-digit milliseconds.

SOLUTION BENEFITS

• **Increased Successful Bid Rate**—Increase successful bids by 50% in the same SLA time (smarter, more efficient bidding results in more completed and won bids, leading to higher revenue).

• **24/7 Fraud Detection**—With services from the Equinix Marketplace of technology partners, leverage fraud detection teams and tools from partners which check and audit constantly for online fraudulent activities.

• **Reduced Duplication**—Ensuring robust QoS in the bid cycle to reduce duplication, Unitas will manage QoS between bid partners to reduce the need for duplication and mitigate fraudulent bid requests.

• **Ad-IX™ Ecosystem**—A robust ecosystem of 85+ ad-tech companies on Platform Equinix, Ad-IX ensures that no matter how the internet advertising industry evolves over time with new players, tech platforms, or metrics, your business can adapt to change quickly and efficiently.

For more information, please visit
Unitasglobal.com/solutions/adtech/

5   REFERENCES

REFERENCES

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